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SUBJECT: CYPRUS RISKS EU SANCTIONS OVER BAN ON BIOFEULS WITH BIOTECH
CONTENT; PLANNING FURTHER STEPS

REF: NICOSIA 400, B) 06 NICOSIA 1822

(U) This cable is sensitive but unclassified. Please protect accordingly.

11. (SBU) Summary. On May 17, the Cypriot parliament voted 25-24 to keep in place a ban dating to June 2005 on the "sale or distribution of biofuels produced with genetically modified plants," thereby risking sanctions from the European Commission. Biotech is not an issue that has any proponents in Cyprus, and politicians generally see opposing biotech as a cost-free way to win votes and to curry favor with the small but influential anti-biotech lobby. We understand that the Green Party is planning to introduce a bill this fall to make Cyprus a "GMO-free zone."

12. (SBU) The government is also no fan of biotech. Nevertheless, the GoC's official position is that Cyprus, as a member of the EU, should follow EU biotech policy, and under pressure from the Commission, it lobbied for a repeal of the ban. Within the EU, however, the GoC is working to further limit biotech, and it regularly votes against any approval of new biotech varieties within the European Council. The government is also busy preparing a "scientific" case to the Commission requesting a derogation from the acquis to allow Cyprus to ban the import and cultivation of certain biotech seeds. In the run-up to Cyprus's accession to the EU and adoption of EU biotech policy, U.S. cereal producers lost millions of dollars of exports to Cyprus. Cyprus's ban on biotech biofuels, however, has yet to directly affect U.S. producers. This could change, though, if Cyprus develops a biofuels market, or if the ban emboldens the Cypriot parliament and/or larger EU markets to introduce more significant anti-biotech measures. End Summary.

Attempt to Repeal Ban on Biotech Biofuel Fails

13. (SBU) On June 24, 2005, Cyprus passed a law promoting the use of biofuels in Cyprus (Law number 66(I), of 2005). At the insistence of several MPs, the House added a provision to this law banning the sale and distribution of biofuels made from biotech plants. Specifically, Article 6 of the law sets out appropriate standards

for biofuels (e.g., they must contain certain minimum percentages by biofuel content and conform to Cypriot standard CYSEN 14214, and European standards EN 228 and EN 590) and then adds: "It is understood that the sale and distribution of biofuel produced from genetically modified plants is prohibited."

¶4. (SBU) The European Commission has been in contact with the GoC on this issue since the passage of this law and has begun a formal infringement procedure. According to the Cypriot Legal Service, the Commission has sent the GoC "two or three" letters, gradually stepping up pressure on the GoC to abolish the ban on the grounds that the ban violates the EU acquis and the free movement of goods. A source in the Environment Service of the Ministry of Agriculture told us that they expected that a failure to repeal the ban could expose Cyprus to potential fines of up to 9 million Euro.

¶5. (SBU) In December 2006, the Energy Department of the Ministry of Commerce, Industry and Tourism, drafted a bill amending the existing biofuels law, with a view to introduce incentives for the use of biofuels and to harmonize Cypriot legislation with the latest EU directives on this issue. Among other things, the bill included a provision eliminating the ban on biofuels made from GMO plants. On April 19 the parliament passed all the provisions of this bill except for the repeal of the biotech ban, prompting the President to send the bill back to the parliament for a second reading. Despite testimony from the Attorney General's Office and the Ministries of Agriculture and Commerce that failure to remove the ban could lead to EU sanctions, on May 17, the Parliament voted 25 to 24 in favor of keeping it. Governing coalition members AKEL, EDEK, and the Greens all voted to keep the ban, while only the President's party DIKO and opposition DISY voted for its repeal.

GoC Opposes Biotech but Committed to Honoring EU Rules

¶6. (SBU) Despite its support -- under EU pressure -- to remove the ban, the GoC is no fan of biotech. Cyprus has voted against approval of every new biotech variety within the European Council since it got a vote in 2004. This policy is unlikely to change anytime soon despite the recent retirement of the head of the Environment Service, who told us in 2004 that Cyprus would never support any new biotech applications as long as he was in that post. According to staffers at the Environment Service, the European Commission has approved two derogations to EU GMO policy allowing countries to ban the cultivation of biotech crops in certain locations on scientific grounds. The Service is currently preparing its own "scientific" justification for a Cyprus-wide ban on the import and cultivation of certain biotech seeds. Reportedly, the main argument to be used is that because of Cyprus's small size and small agricultural plots, it would be "impossible" to prevent certain GMO varieties from cross-pollinating with indigenous wild plant species. Nevertheless, as Agricultural Minister Photiou reiterated to Ambassador Schlicher last week, the official GoC policy is to follow EU rules on GMOs.

Biotech Ban Yet to Affect U.S. Producers

¶7. (SBU) According to the GoC Energy Department, there have been no imports of biofuels into Cyprus and domestic production of biofuels has been negligible. Post is not aware of any biofuels being available on the Cypriot market. Thus, the Cypriot ban on the sale and distribution of biofuels made from biotech plants appears to have been largely symbolic and not to have had a direct effect on U.S. producers. No U.S. business has complained to the Embassy about the ban. This, however, may soon change. The new law amending the 2005 biofuels law creates significant financial incentives for the sale and use of biofuels in Cyprus, and thus we expect biofuels to be introduced into the Cypriot market in the near future.

¶8. (SBU) While Cyprus's ban on biotech biofuels has not affected U.S. producers, the same cannot be said for Cyprus's adoption of EU biotech policy. Prior to Cyprus's entry into the EU and its adoption of EU restrictions on biotech products, U.S. cereal exports to Cyprus (mainly corn) peaked in 2000 at USD 25.1 million -- a third of all Cypriot cereal imports. In 2006, Cyprus imported only USD 142,000 worth of U.S. cereals.

19. (SBU) Comment: Cyprus is a small market of less than a million people that does not currently trade or produce biofuels. Even if the new incentives work, and biofuels are introduced into Cyprus, the biofuels market will still be relatively small. The importance of the Cypriot ban is whether it emboldens the Cypriot parliament and/or larger EU markets to introduce more significant anti-biotech measures. Two years ago, the Cypriot parliament backed down on an anti-biotech bill that would have required biotech products to be segregated within stores, after we objected, and more importantly, the European Commission raised significant concerns. The Parliament's insistence on maintaining the ban, even in the face of explicit Commission opposition, is a new and worrying development. Cypriot parliamentarians seem convinced that opposing biotech is a low-cost way of winning votes by fanning fears that Cyprus is somehow being targeted by large foreign interests seeking to do Cyprus harm. Unless the Commission acts quickly to impose real costs on Cyprus for keeping the biotech biofuels ban, the parliament is likely to be emboldened to introduce more significant anti-biotech measures. Post will continue to raise our concerns over Cypriot biotech policy, but without a domestic lobby with which to work, we are fighting an uphill battle. Our efforts to keep Cyprus from going beyond the already restrictive EU biotech regulations, however, will be much more successful if we can get the European Commission to lead the fight.

SCHLICHER